

RED RIVER AUTHORITY OF TEXAS

Executive and Investment Committees Meeting Minutes

Tuesday, January 19, 2021

The Executive and Investment Committees of the Board of Directors of Red River Authority of Texas met on Tuesday, January 19, 2021 at 09:00 a.m. via a Zoom Video Conference. Due to Covid-19 Pandemic restrictions, the Red River Authority of Texas Administrative Offices were closed to the public, but public participation was available via remote attendance. Instructions on accessing the Zoom Video Conference were posted, as required. The meeting originated at the Authority's office located at 3000 Hammon Road, Wichita Falls, Texas. The following members and guests were present:

Executive Committee: Mr. Todd W. Boykin, President, Amarillo
Mr. Jerry Bob Daniel, Vice President, Truscott
Michael R. Sandefur, Secretary-Treasurer, Texarkana
Mr. Stephen A. Thornhill, Assistant Secretary, Denison

Staff: Mr. Randall W. Whiteman, General Manager, Wichita Falls
Ms. Danna P. Bales, Executive Assistant, Wichita Falls
Mr. Fabian A. Heaney, Assistant General Manager, Wichita Falls
Ms. Lana R. Hefton, Controller, Wichita Falls
Mr. Glen K. Hite, I.T. Systems Administrator, Wichita Falls

Guest: Mr. David Parkman, Edgin, Parkman, Fleming and Fleming, PC,
Wichita Falls

Mr. Boykin called the meeting of the Executive and Investment Committees to order at 9:08 a.m. He noted that Mr. Daniel was not present.

Item One: Evaluation of the *Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020 and 2019* and Consider Recommendation for Approval at the Board of Directors Meeting on Wednesday, January 20, 2021 (See Board Book Item Four)

Mr. Parkman expressed his appreciation for allowing his firm to perform the audit this year. He then provided an overview of the *Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020 and 2019 (CAFR)*.

Referring to the Independent Auditor's Report on Financial Statements on page 1 of the *CAFR*, Mr. Parkman stated that based on their examination, the financial statements presented in the audit are materially correct and received a clean opinion.

Mr. Daniel joined the meeting at approximately 9:10 a.m.

Item One: Evaluation of the *Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020 and 2019* and Consider Recommendation for Approval at the Board of Directors Meeting on Wednesday, January 20, 2021 (See Board Book Item Four) (continued)

Referring to pages 11 and 12 of the *CAFR*, Mr. Parkman provided an overview of the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2020 and 2019. He explained that the Authority ended up with a total net position of \$19,260,409, with the change in net position being \$792,871.

Beginning on page 56 of the *CAFR*, Mr. Parkman presented the Combining Schedule of Net Position and the Combining Schedule of Revenues, Expenses, and Changes in Net Position. He provided an explanation of the funds that are all rolled up into the Statements of Revenues, Expenses, and Changes in Net Position.

Mr. Parkman then referred to the Independent Auditor's Report on page 105 of the *CAFR*, and stated that it is a required report on internal control over financial reporting and on compliance and other matters, based on an audit of the financial statements, performed in accordance with Government Auditing Standards. Mr. Parkman stated that there was a finding this year, which was primarily related to timing differences in both assets and liabilities, where some transactions were not recorded in the proper accounting period. He then referred to a stand-alone letter called AU-C 260, which details Summaries of Uncorrected and Corrected Misstatements. Under the Summary of Corrected Misstatements, he pointed out that the unrecorded construction cost of \$231,451 resulted in the required reporting of misstatements due to the aggregate amount.

Referring to the Management Letter, Mr. Parkman discussed the prior and current year comments. Regarding the prior year comment, Mr. Parkman stated that last year, management provided a final trial balance that did not include necessary closing entries, which required material audit adjustments to be proposed. He added that the current year final trial balance also required material audit adjustments.

Mr. Parkman then provided an overview of the current year comments. He explained that the current year comments included the timeliness of completing bank reconciliations, duplicated bank transfers, accounts payable issues regarding the delay in submitting invoices to the accounting department for work performed on the Regional Water Planning Group project, issues with the Maintenance Division's inventory balance, journal entries being lumped together, which make them hard to follow throughout the general ledger, and general ledger cash accounts not being set up so that each bank account can be reconciled properly. Discussion was then held regarding the system that the Authority utilizes for their reconciliations, and stated that the Authority's system is very unique.

Mr. Sandefur asked if the findings could affect the requirements that the Authority must maintain for the Texas Commission on Environmental Quality. Mr. Parkman stated that it possibly could. Mr. Sandefur then asked Mr. Parkman to provide some observation on the financial statements. Mr. Parkman explained that the Authority's net position is very positive and has a good stream lined process in place in regards to the revenues and expenses. Additionally, the closing out of Internal Service Funds and how it has reduced duplicate efforts was discussed. Discussion was also held regarding the positive change of position for the Environmental Services Division.

Item One: Evaluation of the *Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020 and 2019* and Consider Recommendation for Approval at the Board of Directors Meeting on Wednesday, January 20, 2021 (See Board Book Item Four) (continued)

Following additional minor discussion, Mr. Sandefur made a motion that the *Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020 and 2019* move out of the Executive Committee for consideration of approval at the Board of Directors Meeting to be held on January 20, 2021. Mr. Thornhill seconded his motion, which passed unanimously by vote of **4 For** and **0 Against**.

Item Two: Evaluation of the Investment Activity Report for the Period Ended September 30, 2020 and a Resolution Adopting the Authority's Investment Policy and Investment Strategy for the Ensuing Calendar Year and Consider Recommendation for Approval at the Board of Directors Meeting on Wednesday, January 20, 2021 (See Board Book Item Five)

Referring to Item Five in the Board Book, Ms. Hefton provided an overview of the Portfolio Summary Report and the Investment Activity Report for the Period Ended September 30, 2020. She stated that there were no changes to the Investment Policy or Investment Strategy.

Following discussion on collateral requirements and interest rates, Mr. Sandefur made a motion that the Investment Activity Report for the Period Ended September 30, 2020 and a Resolution Adopting the Authority's Investment Policy and Investment Strategy and the Investment Officers for the Ensuing Calendar Year move out of the Executive Committee for consideration of approval at the Board of Directors Meeting to be held on January 20, 2021. Mr. Daniel seconded his motion, which passed unanimously by a vote of **4 For** and **0 Against**.

Item Three: Evaluation of the Indirect Cost Accounting Plan and Consider a Resolution for Adoption at the Board of Directors Meeting on Wednesday, January 20, 2021 (See Board Book Item Six)

Mr. Hefton provided an overview of what the Indirect Cost Accounting Plan is utilized for, stating that it is mainly used to charge expenses against outside contracts, particularly the Clean Rivers Program and the Regional Water Planning Group – Area B contracts. Mr. Parkman then stated that the Texas Commission on Environmental Quality requires that a list of eight agreed upon procedures be performed on the Authority's Annual Indirect Cost Accounting Plan to ensure correcting accounting of charges, and stated that there were a few discrepancies discovered. He then detailed the discrepancies found. He also reminded that it is not an audit, it is procedures in accounting and calculations that are tested to ensure the Authority's Indirect Cost Accounting Plan rates are accurate.

Following minor discussion, Mr. Thornhill made a motion that a Resolution adopting the Indirect Cost Accounting Plan for the ensuing calendar year move out of the Executive Committee for consideration of approval at the Board of Directors Meeting to be held on January 20, 2021. His motion was seconded by Mr. Sandefur, and the motion passed unanimously by a vote of **4 For** and **0 Against**.

Item Four: Conduct an Executive Session of the Executive Committee, Pursuant to Government Code Section 551.074:

- a. Conduct Annual Review of the General Manager and Receive Recommendations from the Executive Committee.**
- b. Discuss the Controller Position, Including Assignments, and Recommendation for Any Changes.**

Mr. Boykin then called an Executive Session from 10:20 a.m. until 12:38 p.m.

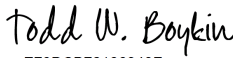
Item Five: Consider Recommendations from the Executive Session to the Board of Directors at the Meeting on January 20, 2021

There was no action taken.

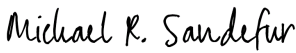
Item Six: Other Business as the Committee May Deem Appropriate

There was no other business discussed.

With no more discussion, Mr. Thornhill made a motion to adjourn the Executive and Investment Committees Meeting of the Board of Directors at 12:40 p.m. Mr. Daniel seconded the motion, which passed unanimously by a vote of **4 For** and **0 Against**.

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Todd W. Boykin, President

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Michael R. Sandefur, Secretary-Treasurer